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DEC 23 2015

SUSAN BITTER SMITH, Chairman  
BOB STUMP  
BOB BURNS  
DOUG LITTLE  
TOM FORESE

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IN THE MATTER OF THE APPLICATION OF  
ARIZONA ELECTRIC POWER COOPERATIVE,  
INC. FOR A TEMPORARY TARIFF RIDER

Docket No. E-01773A-15-0324

**AMENDED APPLICATION**

Pursuant to A.R.S. § 40-374, Arizona Electric Power Cooperative, Inc. ("AEPCO" or the  
"Cooperative") in support of its Amended Application states as follows:

1. AEPCO is an Arizona not-for-profit electric generation cooperative which  
supplies all or most of the power and energy requirements of its six Class A member distribution  
cooperatives, five of which are located in Arizona.

2. On September 9, 2015, AEPCO filed its initial Application requesting  
Commission authorization to implement a temporary tariff rider to return to its members  
approximately \$2.5 million in fixed gas reservation charges the Cooperative paid in the years  
2009 through 2015.

3. By this Amended Application, AEPCO requests Commission authorization to  
include in the temporary tariff rider an additional \$660,000 associated with reparations ordered  
by the Surface Transportation Board ("STB") for charges paid by the Cooperative in 2010  
through 2013.

**EPNG Settlement**

4. As discussed in its September 2015 filing, AEPCO filed a lawsuit against El Paso  
Natural Gas ("EPNG") with the Federal Energy Regulatory Commission in 2011 in which the

1 Cooperative challenged the reasonableness of the rates established by EPNG for firm natural gas  
2 transportation to the Apache Generating Station.

3 5. Earlier this year, AEPCO and EPNG negotiated a settlement agreement pursuant  
4 to which AEPCO received \$2,535,172.79 in total settlement proceeds.

5 6. For a portion of the time that AEPCO paid the disputed EPNG charges, the  
6 Cooperative had in place a Firm Power Sale Agreement (the "Agreement") with Electrical  
7 District No. 2 Pinal County ("ED2").<sup>1</sup> Accordingly, the Cooperative's monthly energy charges  
8 to ED2 included the EPNG firm natural gas transportation costs as a component of the cost of  
9 energy. Pursuant to the Agreement, the portion of the settlement owed to ED2 was \$19,538.02.

10 7. After accounting for the amount paid ED2, the remaining EPNG settlement  
11 proceeds to be refunded to AEPCO members total \$2,515,634.77.

### 12 **STB Reparations**

13 8. In 2011, AEPCO petitioned the STB to adjust the rail rates of BNSF Railway  
14 ("BNSF") to remove some or all of the acquisition premium associated with the purchase of  
15 BNSF by Berkshire Hathaway.

16 9. In 2013, the STB ordered that variable transportation costs be corrected to  
17 exclude the acquisition premium for the years 2010 through 2012.

18 10. Earlier this year, in response to a request for clarification filed by Union Pacific,  
19 the STB issued a decision extending the rate correction to 2013.

20 11. As a result of the STB's clarified order, AEPCO received \$665,576 in total  
21 reparations from BNSF.

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23  
24 <sup>1</sup> The ED2 contract expired in October of 2012.

1           12.     Similar to the EPNG settlement, pursuant to the Agreement, ED2 was entitled to a  
2 portion of the STB reparations, specifically \$5,496.52.

3           13.     After accounting for the payment to ED2, the remaining reparations proceeds to  
4 be refunded to AEPCO members total \$660,079.48.

5                                   **Temporary Tariff Rider**

6           14.     AEPCO's Board of Directors has approved a proposal to return to each member  
7 its share of the EPNG settlement proceeds as well as the STB reparations over a 12-month period  
8 beginning January 1, 2017. This refund period was chosen in order to avoid overlap with the  
9 current STB reparations refund, which began January 1, 2015 and expires in December of 2016.<sup>2</sup>

10          15.     Each member's monthly refund for the EPNG settlement and STB reparations are  
11 calculated separately in Exhibit 1.

12          16.     AEPCO requests that the Commission approve a temporary tariff rider that will  
13 apply the appropriate combined refund credit to each member's monthly invoice. A revised  
14 copy of the proposed rider – Temporary Tariff Rider No. 2 – is attached hereto as Exhibit 2.


15                 WHEREFORE, having fully stated its Amended Application, AEPCO requests that the  
16 Commission enter its Order authorizing AEPCO to implement a temporary tariff rider as  
17 described herein as well as any other and further relief the Commission deems just and  
18 appropriate.

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<sup>2</sup> The current STB refund was approved by the Commission in Decision No. 74904.

1 RESPECTFULLY SUBMITTED this 23rd day of December, 2015.

2  
3 By   
4 Jennifer A. Cranston  
5 2575 East Camelback Road  
6 Phoenix, Arizona 85016-9225  
7 Attorneys for Arizona Electric Power  
8 Cooperative, Inc.

9 **Original and 13 copies** filed this  
10 23rd day of December, 2015, with:

11 Docket Control  
12 Arizona Corporation Commission  
13 1200 West Washington Street  
14 Phoenix, Arizona 85007

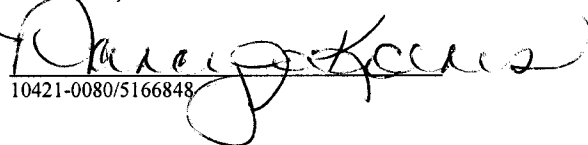
15 **Copies** of the foregoing delivered  
16 this 23rd day of December, 2015, to:

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18 Hearing Division  
19 Arizona Corporation Commission  
20 1200 West Washington Street  
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## **EXHIBIT 1**

# Arizona Electric Power Cooperative, Inc.

## Allocation of El Paso Gas & STB Refunds by Member

Calendar Years 2009-2015

### El Paso

Description	Net Refund CY 2009	Net Refund CY 2010	Net Refund CY 2011	Net Refund CY 2012	Net Refund CY 2013	Net Refund CY 2014	Net Refund CY 2015	Net Refund Total	Monthly Refund Over 12 Months
Anza	\$ 1,257.21	\$ 1,237.83	\$ 11,536.94	\$ 13,856.26	\$ 13,806.74	\$ 12,730.39	\$ 2,231.40	\$ 56,656.78	\$ 4,721.40
Duncan	692.76	704.23	6,973.51	7,982.81	8,406.11	8,325.22	1,406.87	34,491.51	2,874.29
Graham	3,948.31	3,830.80	41,501.29	47,314.64	45,377.73	44,382.00	7,366.53	193,721.31	16,143.44
Mohave	16,639.01	16,186.74	188,457.93	217,166.92	212,258.14	205,497.07	34,558.94	890,764.74	74,230.40
Sulphur Springs	21,635.88	21,389.21	166,874.76	192,295.85	187,949.25	181,962.49	30,601.07	802,708.50	66,892.37
Trico	15,974.48	15,660.67	111,074.37	127,995.03	125,101.87	121,116.99	20,368.54	537,291.93	44,774.33
Total	\$ 60,147.65	\$ 59,009.47	\$ 526,418.81	\$ 606,611.50	\$ 592,899.84	\$ 574,014.15	\$ 96,533.35	\$ 2,515,634.77	\$ 209,636.23

### STB

Description	Net Refund CY 2009	Net Refund CY 2010	Net Refund CY 2011	Net Refund CY 2012	Net Refund CY 2013 (1)	Net Refund CY 2014	Net Refund CY 2015	Net Refund Total	Monthly Refund Over 12 Months (2)
Anza	\$ -	\$ 7,432.04	\$ 576.34	\$ 191.85	\$ 7,873.65	\$ -	\$ -	\$ 16,073.88	\$ 1,339.49
Duncan	-	4,054.88	239.01	77.35	4,612.70	-	-	8,983.94	748.66
Graham	-	23,906.26	956.29	486.81	24,058.28	-	-	49,407.64	4,117.30
Mohave	-	96,549.00	5,163.37	262.63	111,027.20	-	-	213,002.19	17,750.18
Sulphur Springs	-	90,443.06	6,043.25	227.53	106,587.80	-	-	203,301.65	16,941.80
Trico	-	97,853.84	4,122.94	(454.23)	67,787.64	-	-	169,310.18	14,109.18
Total	\$ -	\$ 320,239.07	\$ 17,101.19	\$ 791.94	\$ 321,947.28	\$ -	\$ -	\$ 660,079.48	\$ 55,006.62

(1) STB Reparations stockpile portion allocated on the basis of 2014 Member coal consumption.

(2) Refunds to begin in January of 2017.

### COMBINED

Description	Net Refund CY 2009	Net Refund CY 2010	Net Refund CY 2011	Net Refund CY 2012	Net Refund CY 2013	Net Refund CY 2014	Net Refund CY 2015	Net Refund Total	Monthly Refund Over 12 Months
Anza	\$ 1,257.21	\$ 8,669.87	\$ 12,113.28	\$ 14,048.11	\$ 21,680.39	\$ 12,730.39	\$ 2,231.40	\$ 72,730.66	\$ 6,060.89
Duncan	692.76	4,759.11	7,212.52	8,060.16	13,018.81	8,325.22	1,406.87	43,475.44	3,622.95
Graham	3,948.31	27,737.05	42,457.58	47,801.45	69,436.02	44,382.00	7,366.53	243,128.95	20,260.75
Mohave	16,639.01	112,735.73	193,621.30	217,429.55	323,285.35	205,497.07	34,558.94	1,103,766.94	91,980.58
Sulphur Springs	21,635.88	111,832.27	172,918.01	192,523.37	294,537.05	181,962.49	30,601.07	1,006,010.14	83,834.18
Trico	15,974.48	113,514.51	115,197.31	127,540.80	192,889.51	121,116.99	20,368.54	706,602.11	58,883.51
Total	\$ 60,147.65	\$ 379,248.54	\$ 543,520.00	\$ 607,403.44	\$ 914,847.12	\$ 574,014.15	\$ 96,533.35	\$ 3,175,714.25	\$ 264,642.85

## **EXHIBIT 2**

**ARIZONA ELECTRIC POWER COOPERATIVE, INC.**

TEMPORARY TARIFF RIDER NO. 2

TEMPORARY

Effective Date: January 1, 2017

APPLICABILITY

Applicable to the Company's Class A members as follows:

Partial Requirements Members:

Mohave Electric Cooperative, Inc.  
Sulphur Springs Valley Electric Cooperative, Inc.  
Trico Electric Cooperative, Inc.

Collective All-Requirements Members:

Anza Electric Cooperative, Inc.  
Duncan Valley Electric Cooperative, Inc.  
Graham County Electric Cooperative, Inc.

RATE

Pursuant to Arizona Corporation Commission Decision No. [TBD], the customer monthly bill shall consist of the applicable charges and adjustments as set forth in the Partial-Requirements Schedule of Rates and Fixed Charge and as set forth in the Company's Tariff for its collective all-requirements Class A members ("CARM"). In addition, the monthly bill will include an applicable Rider No. 2 credit as follows:

Partial Requirements Members:

Mohave Electric Cooperative, Inc. - (\$91,980.58)/mo.  
Sulphur Springs Valley Electric Cooperative, Inc. - (\$83,834.18)/mo.  
Trico Electric Cooperative, Inc. - (\$58,883.51)/mo.

Collective All-Requirements Members:

Anza Electric Cooperative, Inc. - (\$6,060.89)/mo.  
Duncan Valley Electric Cooperative, Inc. - (\$3,622.95)/mo.  
Graham County Electric Cooperative, Inc. - (\$20,260.75)/mo.

This temporary credit shall remain in effect for a period of twelve (12) months beginning with the effective date specified herein.